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## ABSTRACT

The banking industry has recognized an increasing need to recruit, hire, and train minorities for positions within the industry. Following this line of thought, the American Bankers Association (ABA) formed a task force composed of bankers and black college educators to develop a program mutually beneficial to industry as well as colleges. A Black College/Banking Industry Symposium resulted in October 1972. The purpose of the symposium was to identify ways for the banking industry and the nation's black colleges to develop mutually beneficial programs to increase the flow of minority college graduates into banking careers. One of the recommendations made at the symposium was the establishment of Centers for Banking Education at predominantly black colleges. The symposium felt that these centers could serve as a catalyst in the development of curricula for banking and finance in colleges. The objective of the Centers for Banking Education is to create a learning environment in the field of banking that will attract, train, and produce highly-qualified minority men and women for officer-level careers in banking. The centers would provide: high quality curriculum suitable for developing superior students; distinguished faculty; opportunities for black professors to undertake relevant banking research projects to improve their understanding of banking and their teaching skills; major impetus to attract outstanding bankers to advise, lecture, and meet with faculty, students, and administrators; and focus for attraction of additional resources from individual banks and other business groups.  
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BANKS: COLLEGES—A JOINT UNDERTAKING

Thomas O. Cordy

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## Banks: Colleges - A Joint Undertaking

In recent years, the banking industry has adopted programs to increase significantly the total number of minorities in management and officer level positions. In 1968, the industry began to review current employment levels of minorities and to look toward the future. In a 1970 survey of urban banks minority members made up 12.5% of total employment. In 1971, this figure had increased to 14.9%, and in 1972, to 15.2%. Corresponding increases occurred in the number of minorities who held official and managerial positions of urban-area banks—in 1969, 2.6%, and in 1972, 4.6%.<sup>1</sup>

The industry recognized an increasing need to recruit, hire, and train minorities for positions within the banking industry. Following this line of thought, the American Bankers Association (ABA) formed a task force composed of bankers and Black college educators to develop a program mutually beneficial to industry as well as colleges. A Black College/Banking Industry Symposium resulted in October 1972. The purpose of the Symposium was to identify ways for the banking industry and the nation's Black colleges to develop mutually beneficial programs to increase the flow of minority college graduates into banking careers.

Participating in the Symposium were presidents, business school deans, placement directors, and a student from each of 19 predominantly Black colleges.<sup>2</sup> The participating bankers represented a broad cross section of the banking industry. The format for the Symposium was small group

<sup>1</sup>Urban and Community Affairs Banking Industry Survey, The American Bankers Association, 1973

<sup>2</sup>Alabama State College, Atlanta University, University of Arkansas, Central State, Clark College, Florida A&M, Johnson C. Smith, Howard University, Langston University, Lincoln University in Pa., N.C. A&T, Prairie View A&M, Texas Southern, Tougaloo College, Xavier University, Southern University, Spelman College, Shaw in Detroit, Morehouse.

workshops, discussing current and future roles of developing institutions, banking career requirements, faculty development programs, banking's role in minority enterprise and community development.

At the conclusion of the Symposium, one of the action recommendations called for formation of a special banker/educator task force to identify programs which could be jointly undertaken. This task force developed a proposal to establish Centers for Banking Education at predominantly Black colleges. The Symposium felt that these centers could serve as a catalyst in the development of curricula for banking and finance in colleges.

In April 1973, the ABA announced its commitment to establish two Centers for Banking Education. All 4-year, predominantly Black institutions will be provided an opportunity to submit a proposal to have a campus center. Operation of the center will require \$700,000 from ABA during the next 5 years.

The objective of the Centers for Banking Education is to create a learning environment in the field of banking which will attract, train, and produce highly-qualified minority men and women for officer-level careers in banking. The centers would provide:

- High quality curriculum suitable for developing superior students
- Distinguished faculty
- Opportunities for Black professors to undertake relevant banking research projects to improve their understanding of banking and their teaching skills
- Major impetus to attract outstanding bankers to advise, lecture, and meet with faculty, students, and administrators
- Opportunity to strengthen Black college-banking relationships through participation of Black college

personnel in relevant ABA meetings, banking schools, and programs

- Regional banking education center through which experience and innovations may be shared with additional colleges in the surrounding area
- Focus for attraction of additional resources from individual banks and other business groups
- Broadened awareness of the industry's interest and commitment to recruiting Black college graduates for bank employment

Banks serve diversified communities. Not all the rewards are financial. That's why the banking industry is continually concerned about urban problems. A successful banker is regarded as a leader in his community. Bankers are found on civic and charitable boards in the community; bankers tend to be in the forefront of local economic development.

In a similar way, small independent colleges are looked to for leadership by their communities. They are charged with the responsibility of providing quality education and a rich cultural experience to the future community leaders of tomorrow. These colleges are also expected to provide leadership in community development. The president of a small college is usually found serving on the board of important community organizations and taking the lead in other civic activities.

Banking is changing concurrently with rapid changes taking place in the community. These same changes apply to the small college. The continued success of banks and small colleges depends on the ability of both to meet the challenge of change.

Traditionally, banks and small colleges have been interdependent. Banks have provided needed banking services for the small college, including demand accounts and, in

limited cases, loans for various reasons. The bank might finance certain equipment or make interim loans to the college until tuition funds were received from students or other cyclical income was received. For example, many students who enter these colleges, including those that return, are seldom able to pay their tuition in full. Most scholarships, fellowships, grants, and other financial aids do not cover total expenses of the student. Without these funds at the beginning of each year, the college, with continuing operating costs, may experience an interim funds deficit. Banks may provide financial assistance and, as deferred tuition payments are received by the college, this interim bank debt is repaid.

The small college has been a provider of professionally trained graduates. In some instances, because of the lack of funds and adequate curriculum, the graduates of these colleges may have received only marginal training in areas of banking and finance. This problem has been addressed in part by the American Bankers Association, with their commitment to finance and support two Centers for Banking Education.

A review is required of areas where the small college might be strengthened with innovative assistance from banks in overcoming many additional obstacles.

The banking industry might provide personnel to act as visiting professors and administrative assistants. Retired or active bank officers could serve to strengthen finance, banking, and economic departments. Bank personnel might serve as administrative assistants in areas of organizational structure, control and cost systems, and particularly in operation of unprofitable operations such as college auxiliary enterprises. They could further assist colleges to more accurately identify their costs and utilization of funds.

The following table shows the income and expenditures in fiscal year 1970 of auxiliary enterprises of eight TACTICS colleges:

Table I. Auxiliary Enterprises

	College A	College B	College C	College D	College E	College F	College G	College H
Income	49,573	160,062	105,409	62,747	242,908	70,806	654,015	82,579
Expenditure	76,034	201,450	93,139	134,438	268,554	138,577	913,284	101,926

In reviewing Table 1, expenses are greater than income for all except one college. This generally indicates that operational costs are exceeding all income revenue generated by these colleges. Such differentials might be better controlled if these institutions were able to identify cost items more adequately.

Professor Charles T. Horngren of Stanford University expressed thoughts that appropriately identify the role of management in planning and controlling financial affairs of the institution:

"Management's task is to plan and to control. Planning means selecting objectives and the means for their attainment. In other words, planning embraces the answers to two questions: What is desired? How and when is it to be done? Controlling means obtaining conformity to plans.

Both planning and controlling entail decisionmaking, which means choosing among alternative courses of action. Decisions tend to be more fruitful when they are based upon considered judgement rather than upon hunches or guessing. Considered judgement requires the gathering of relevant information in the right form at the right time. It requires the ability to distinguish the relevant from the irrelevant, the important from the unimportant.

Banking now, however, can offer some new techniques which enables improved performance. These techniques arise from diverse academic disciplines such as economics, mathematics, statistics, and the behavioral sciences. However, it was not until electronic computers became commonplace in banks that applications of these techniques became operationally feasible. While computers are widely used in banks for performing clerical operations, their usefulness to bank management in the problem-solving process is only beginning to be appreciated. Many of the same advantages occurring to banks may also be beneficial to the small college.

Technical assistance in computer services offers several advantages to small colleges. Assistance could give a diversification and fresh approach to the school's traditional curriculum. Some administrative staff cost may be saved. Where complex or time-consuming calculations are required, use of the computer for business office applications could allow the small college to institute new accounting and cost control systems. Through cooperation, colleges could avoid working on new services simultaneously. This could be accomplished through the terminal system or time sharing.

Deferred tuition generally allows present tuition levels to be increased. Student tuition levels are set by the student's ability to pay and the college's operational cost. However, assistance provided to the student for needed tuition funds allows college to raise tuition levels and the student's financial burden.

Current management of the small college endowment funds has been generally recognized as less than ideal in some instances. (One college was not certain of what comprised its \$2 million portfolio.) The survival of many small colleges depends on income received from endowments. Due to sustained cost escalation and insufficient endowment income these vital institutions are now confronted with a major financial crisis which threatens their economic stability.<sup>3</sup>

One analysis of needs and resources of 20 apparently well-endowed colleges and universities concluded that these institutions would be running a combined annual deficit of more than \$100 million by 1978.<sup>4</sup> This suggests a certain degree of conservatism in the management of college endowment funds.

On the other hand, all college endowment fund managers do not play by the same rules. For example, Hilbert L. Tripp of the University of Rochester (U of R) who, by normal standards, has made some of the shrewdest long-term investments of any college endowment fund manager. Over the last 10 years, the U of R endowment fund has increased at a compounded annual rate of 14% versus 10% for the Standard & Poors 500—even though Rochester's endowment had been a balanced fund.<sup>5</sup>

Last year—a tricky year for most money managers—the University fund's unit asset value was up a fat 29% versus 15% for the Dow Jones Industrials.<sup>6</sup> The theory was to have 35% to 50% in bonds and the remainder would be invested as Tripp determined. Tripp was a growth stock man, usually taking risks considered by most college endowment fund managers as out of bounds. For instance, when George Eastman who, over 15 years, lent \$50 million to the Rochester University (some \$20 million of it in Kodak stock), Tripp made the decision to hold on to the majority of funds. U of R's Kodak is now worth \$125 million.<sup>7</sup>

In 1950, when Joe Wilson gave the university a contribution of \$200,000, Tripp decided to invest the money in Wilson's local company, Halsid, now called Xerox. Tripp used Wilson's money to buy Xerox on the open market. The \$200,000 investment is now worth \$120 million.<sup>8</sup>

<sup>3</sup>*Institutional Investing*, Dr. Charles D. Ellis, p. 185

<sup>4</sup>*Ibid.*, p. 185

<sup>5</sup>"*Forbes*", *The Money Men - Profit with Honor*, March, 1973, p. 62

<sup>6</sup>*Ibid.*

<sup>7</sup>*Ibid.*, p. 61

<sup>8</sup>*Ibid.*

We are not suggesting that all fund managers would have the same degree of success. However, another look at the traditional role of the fund manager in the securities market might be timely. Also, those colleges without or having little investment counseling might take a second look at their respective fund's performance.

The entire area of unrestricted long-term financing concerns the small colleges. It is doubtful that optimal policies are being pursued in this area at present. It would be educational for bankers and small college administrators to discuss possible benefits and costs of new long-term funding schemes.

Most small colleges probably do not know that they qualify for unsecured long-term financing strictly on their own credit. Through such discussions, colleges could be advised as to steps they could take if interested in such financing.

Bank presidents can provide needed input by serving on governing boards and fund-raising committees—both the college and the bank serve roles as respected leaders in their communities, it would be natural for such a relationship. Both are looked upon for continual leadership in their communities. The small college, more dependent than the bank, could reap significant benefits as a result of a close relationship.

### *Recommendation*

- One method to accomplish greater utilization of both banking and small college resources would be to establish a central source for development of mutually-beneficial programs. Colleges could pool their resources and, at the same time, alleviate the possibility of effort duplication. This would also allow colleges and banks to draw on each other's resources and expertise.
- Another program available to colleges would be to seek support from professional groups and trade associations through collective pooling of their resources and developing proposals that are meaningful for such organizations. The major thrust in the business curriculum, currently and in the near future, will be to develop curricula which respond to diverse needs of the Black community. MIS/TACTICS may provide in some respects management assistance for the development of such programs. The key words, however, which permeate these recommendations are "pooling of resources." Without the combined-pooled-efforts of small institutions and the banking community, few of America's communities will realize the vast and relatively untapped potential of such a combination.



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The MIS Research Profile is a periodic reporting service of the TACTICS Management Information Systems Directorate of the Institute for Services to Education, Inc. The purpose of this Research Profile is to make use of the data contained in the MIS Data Bank (containing figures on Black higher education), by researching and reporting on relevant issues of interest to developing institutions. Additional copies of this Profile may be purchased at the rate of \$.20 per copy. You may subscribe to this reporting service by contacting:

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